

Social Policy Issues

An explicit conclusion of the roundtable discussion on foreign policy organized by Jefferson Institute at the end of December 2004 is that foreign policy issues were inherited from the Milošević era. The issues that pertain to social policy today had emerged already in the time of the Communist rule, before Milošević came to power. During the 1990s, little was done to solve these problems. For this reason, many of them, unchanged, continue to burden social policy in Serbia today.

Two issues that seem to dominate social policy of today are poverty and unemployment. After the regime change in 2000, two approaches to solving the problems of poverty and unemployment have stood out: the libertarian, according to which the bulk of social policy issues will be naturally solved by the market, and the egalitarian, according to which the government has to play more active role in solving social problems.

As stressed by one of key note speakers, Serbia is a poor post-conflict state, in which the majority of citizens are of egalitarian orientation. This path dependence to a great extent constraints government's choice in creating and implementing social policy. But, although the choice is limited, there is still enough room for agreement between egalitarians and libertarians. Namely, all roundtable participants agreed that more rapid economic development and greater competitiveness of the Serbian economy are of utmost importance for solving social policy. All the participants also agreed that economic growth in last four

years was insufficient and that the level of investments in the economy was too small to enable more room for pursuing an effective social policy.

In addition to more investments, which in 2004 amounted to some €600 million, the regulation of labor market seems to be main vehicle for effective social policy and poverty reduction. The key controversy is to what extent labor market needs to be regulated to enable higher employment rate. The libertarians are pointing out to the Anglo-Saxon model of market economy, in which labor market is more flexible and unemployment rate is low. The egalitarians, to the contrary, are pointing out to researches (e.g. Cazes & Nesporova: *Labour Markets in Transition: Balancing flexibility and security in Central and Eastern Europe, 2003*), according to which more regulation leads to higher employment rate and economic activity.

Employment growth could also be made possible the active role of the government in helping the unemployed receive additional trainings and find new jobs, granting loans for employment or allowing tax reliefs to employers for newly-employed workers. One of particularly interesting proposals heard at the roundtable is to enable those who are to lose their jobs due to restructuring, to find new employment by receiving vouchers, instead of being free to spend their severances on personal consumption.

The government will be able to tackle social issues only if there is a healthy economy

to provide sufficient resources for financing social policy. The government, however, is doing little to restructure its finances, which are the basis for pursuing social policy. For example, there is the Pension Fund, for which purposes huge resources have been continuously allocated. In spite of substantial donations from the budget, the Pension Fund is still running permanent deficit (of nearly 1% of the GDP in 2004). The government has not shown serious intention so far to transform this fund into a financial actor able to increase the value of its assets on the financial market. It is also sluggish with regard to the introduction of private pension funds which would eventually result in smaller number of pensioners who are dependant on the state fund, thereby reducing pressure on the budget.

Social dialogue has also turned out to be one of the important aspects of social policy in Serbia. It seems that efficient social dialogue would lead to more effective solutions to many social problems in Serbia. The majority of roundtable participants shared the opinion that social dialogue is a necessary instrument for solving social problems, but it should have only an advisory role, because the solution according to which dialogue's conclusions are binding would hinder the concept of liberal and introduce the concept of corporative state. Social dialogue could be even more efficient if its role were changed, that is, if, in addition to allocating more equally the costs of transition, it could bring about higher competitiveness and impetus to economic growth.

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